# 2018 Reserves Distribution Clause

Sept. 28, 2018

Meeting details available here.

# General Rate Schedule Provisions

- The GRSPs:
  - Specify the conditions that must be met to trigger a reserves distribution clause (RDC).
  - Outline the public process and the rates that are impacted.
  - Details on the Transmission RDC are available on page 94 of the Transmission GRSP's.
- No later than Sept. 28 BPA is required to:
  - Review the Accumulated Calibrated Net Revenues calculation.
  - Determine if the Reserves Distribution Clause will be triggered.
  - Share the amount of the RDC.
  - Take public comment.
  - Describe how the funds will be used.
- The RDC was not triggered for FY 2019.

# Accumulated Calibrated Net Revenues

- The CRAC and RDC are triggered by the Accumulated Calibrated Net Revenue (ACNR) per the BP-18 GRSP's.

- Calibrated Net Revenues (CNR), calibrate to remove the effect of certain events that affect Power or Transmission Net Revenues and Reserves differently. ACNR is the accumulation of CNR since the start of year before the rate period.
  - BPA translates the "days cash" thresholds into ACNR values during the rate case proceedings.
  - Transmission RDC triggers if (a) T<u>ransmission</u> ACNR > $113 million *and* (b) BPA ACNR > $758 million.

# RDC Probability (Q3 QBR)

- Transmission ACNR is above the Transmission RDC Threshold.
- The BPA's ACNR Threshold is $758 million.
- At the 3rd quarter BPA forecasted $782 million.

- Reserves for Risk at 3rd quarter were:
  - Agency: $637 million.
  - Power: $165 million.
  - Transmission: $472 million.

Q3 ACNR: $782 million

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Accumulated calibrated net revenue | 252 | 352 | 452 | 552 | 652 | 758 | 1164 | 1264 |
| | | | | | | | RDC | |
| Reserves for risk | 100 | 200 | 300 | 400 | 500 | 606 | 700 | 800 |

Q3 RFR: $637 million

# Forecast Error

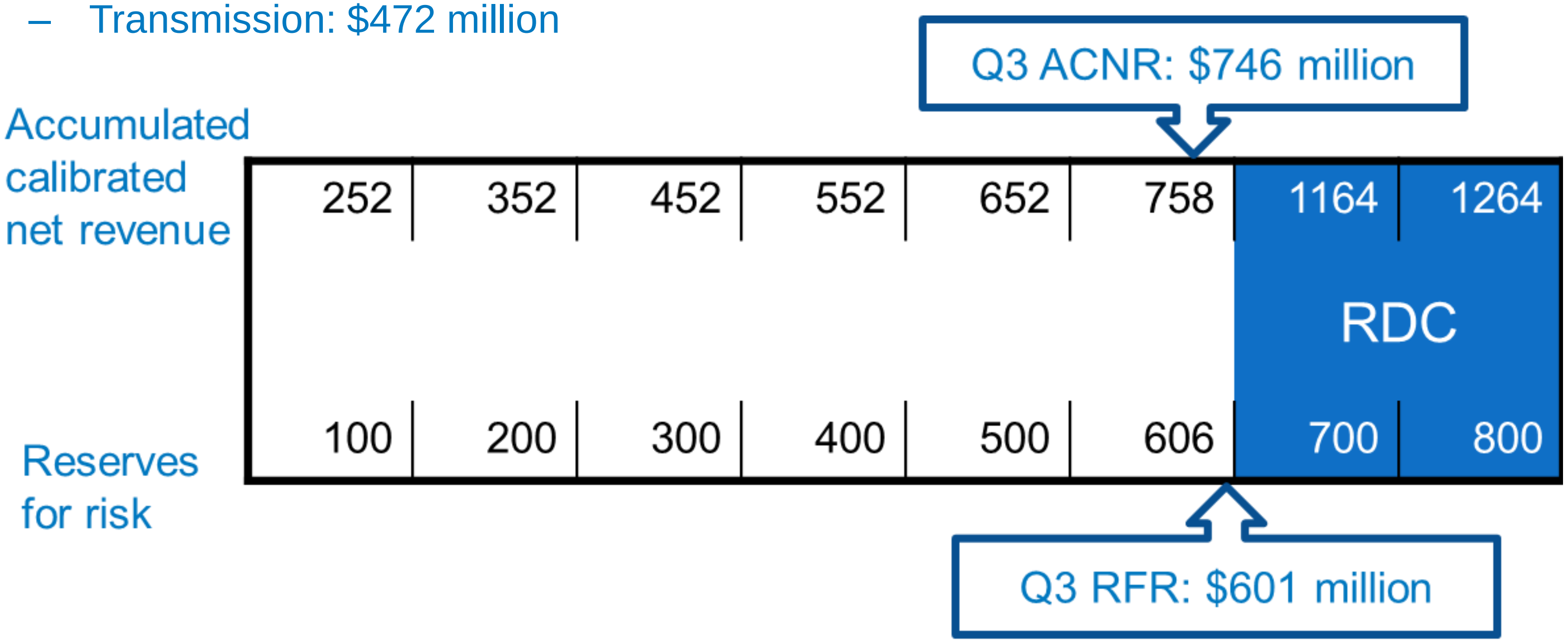
- The forecast error was an over-statement of Power Services end-of-year ACNR forecast by $36 million, which directly affected BPA's ACNR.
  - This was discovered during a final review of the calibrations that go into the ACNR forecast.

- The error is due to the treatment of the FY 18 debt service reassignment assumptions at the start of year.
  - The final review showed a difference between reassigned debt and assumed cash injection from debt repayment.
  - The correct calibration decreased Power's end-of-year ACNR forecast by $36 million, relative to the Q3 QBR numbers. This also decreased the BPA's ACNR forecast.
  - The updated forecast decreased BPA's ACNR below the threshold that would have triggered a Transmission RDC.

- The error would have resulted in the RDC triggering based on reserves that would not have materialized. Therefore the error needed to be corrected.

# Adjusted Q3 Forecast

- The BPA’s ACNR threshold is $758 million.
- At the 3rd quarter, with the corrected financial forecast, the ACNR forecasted would have been $746 million.
- Reserves for Risk at 3rd quarter with the corrected forecast:
  - Agency: $601 million
  - Power: $129 million
  - Transmission: $472 million



# Going forward - Simplifying

- As presented in the July revenue requirement workshop
  - New accounting treatment for Regional Cooperation Debt (RCD) based on new GAAP guidance will eliminate large swings in net revenues. This will provide a more accurate baseline to compare with forecasted numbers.
  - BP-20 will reflect the RCD transactions in the rate case eliminating the need for calibrating events related to the RCD transactions.

- BPA is considering changes to the timing and metrics used to determine an RDC in BP-20.

# Questions?

Questions can be submitted to the BPA Host via the WebEx chat feature. Select the “chat” button, enter your question and press send.

# FINANCIAL DISCLOSURE

This information was publicly available on Sept. 27, 2018, directly from BPA financial statements.